



ENERGY RETAILERS COMPARATIVE PERFORMANCE REPORT – PRICING

2013-14

SUPPLEMENTARY REPORT ON ELECTRICITY FLEXIBLE PRICES

December 2014

An appropriate citation for this paper is:

Essential Services Commission 2014, *Energy retailers comparative performance report – pricing 2013-14, Supplementary report for electricity flexible prices*, December 2014

1 BACKGROUND

Section 39A of the *Electricity Industry Act 2000* and section 47 of the *Gas Industry Act 2001* require the Essential Services Commission (the Commission) to report to the Minister for Energy and Resources on published standing and market offers and other features of the competitive market. In October 2014, the Commission published the *Energy retailers comparative performance report—pricing 2013-14*, in partial fulfilment of this obligation. This supplementary report completes the Commission’s reporting on energy prices for 2013-14.

Flexible pricing was launched in Victoria in September 2013. It allows electricity customers to be charged different rates for electricity during different times of the day, with an aim of encouraging customers to shift their electricity consumption from peak demand times to lower demand times.

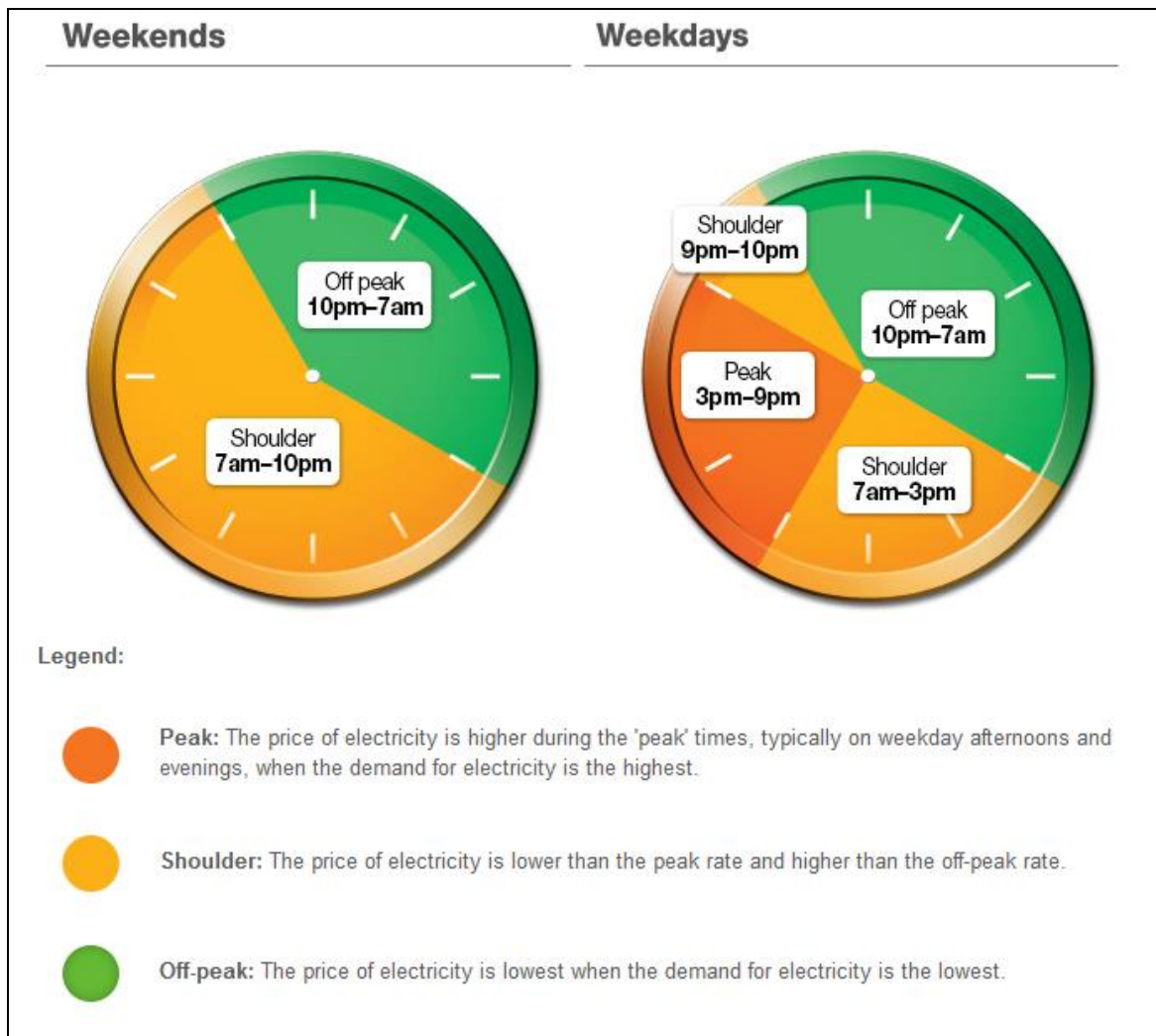
Consumers that choose a flexible pricing offer have different rates that apply at different times throughout the day. The higher rates are during peak times and lower rates are during shoulder and off-peak times. Consumers may be able to pay less for electricity by using electricity outside peak hours.

Figure 1.1 shows how a typical flexible pricing structure operates, with peak, shoulder and off-peak times of the day and week. While this structure is commonly used, there may be other offers that have different prices available at various times of day.

It should be noted that the purpose of this report is not to compare flexible pricing with various flat pricing options. Rather, it is to show the cost of various retailers’ available flexible pricing offers for typical usage patterns. As this is the first opportunity for the Commission to report on flexible pricing, comparison with previous years is not yet possible.

More information about flexible pricing is available on the Victorian Government’s Switch On website (switchon.vic.gov.au). Consumers wishing to determine whether flexible pricing is the best option for them should use the comparator on the My Power Planner website (mpp.switchon.vic.gov.au), which will take into account each individual consumer’s energy usage profile. The website includes an electricity comparator, which allows consumers to see the difference a flat rate price and a flexible price have on electricity usage costs for their household.

FIGURE 1.1 EXAMPLE FLEXIBLE PRICING STRUCTURE



Data source: switchon.vic.gov.au

2 FLEXIBLE PRICES

2.1 METHODOLOGY

In order to calculate a typical “price” for each available offer, the Commission calculated the annual payments to be made, based on the flexible tariffs in effect on 30 June 2014. Only those offers published on My Power Planner have been included in this supplementary report. Many offers and prices shown are no longer available, as they may have been discontinued or replaced with new offers.

All offers include the full impact of the carbon price, as the repeal of carbon price legislation was only effective from 1 July 2014. All prices in this report include GST.

There are two elements to the calculation of an annual price for flexible offers:

- the level of electricity consumption (i.e. how much energy is used by the customer per annum) and
- the electricity consumption profile (i.e. the spread of electricity usage across different periods of the day and during different seasons).

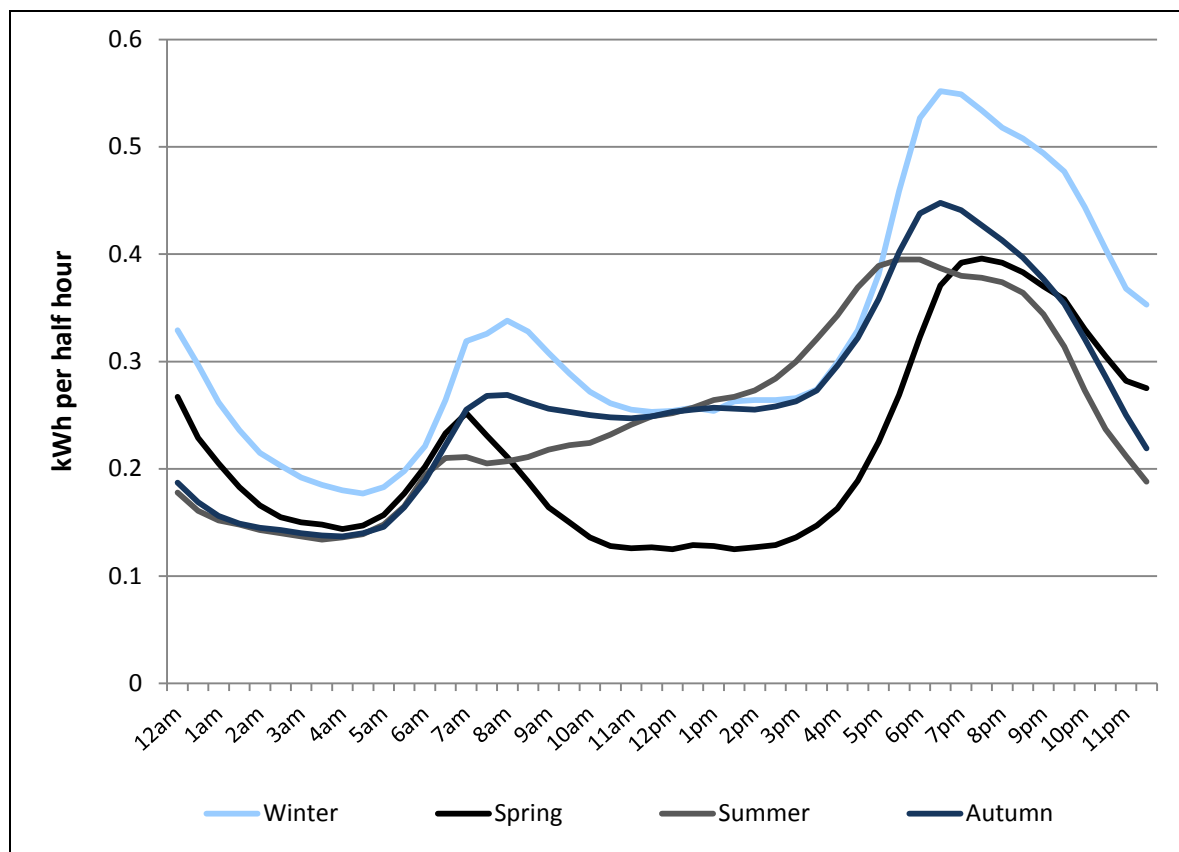
The Commission has used the My Power Planner website to determine two typical consumption levels, based on different household sizes and electricity usage:

1. 4 700 kWh per annum, which is assumed by My Power Planner to represent a typical household with 2 people, gas appliances including heating, hot water and cook top, and with an electric oven and air conditioning.
2. 9 000 kWh per annum, which is assumed by My Power Planner to represent a typical household with 4 people, and all electric appliances, including hot water, central heating, oven, cook top and air conditioning.

The Commission has seasonally apportioned this level of usage across each of the 17 520 half hour blocks in a year (365 days X 48 half hour blocks per day), based on the most common household consumption profile for each of the four seasons (spring, summer, autumn and winter).

Figure 2.1 shows the weekday consumption patterns applied for each season. It shows that a typical consumer uses more electricity in the evening between 6-10pm, while typical energy consumption is at its lowest during the early morning from 2-5am.

FIGURE 2.1 SEASONAL WEEKDAY ELECTRICITY CONSUMPTION PROFILE
4 700 kWh per annum



Data source: My Power Planner

Note that the 9 000 kWh profile is identical in shape to the 4 700 kWh profile, but with higher usage applied to each half hour period.

Consumers should note that the purpose of this calculation is to enable comparison between different retailers' offers. The comparison is valid only for the consumption level and profiles detailed in this section. Consumers wanting more information on the best offers available in their area for their energy profile should enter their details on the My Power Planner website for a full listing of all available offers.

2.2 FLEXIBLE PRICES, 2013-14

The price for each offer published on the My Power Planner website for each of the Victorian electricity distribution zones is detailed in tables 2.1 to 2.5. Retailers are not required to publish flexible standing or market offers, but should publish on My Power Planner any generally available offer. Retailers may choose to publish standing offers, market offers, or both. For example, Dodo Power & Gas had standing offers published on My Power Planner, but no market offers were published.

Retailers may also offer discounts off their market offer prices (for example, discounts for paying on time or paying by direct debt). Tables 2.1 to 2.5 detail prices for undiscounted and discounted offers published on My Power Planner.

The lowest offer price available in each category is highlighted in **green**, while the highest offer price is highlighted in **red**. Where a retailer had more than one market offer published, the Commission has included the cheapest offer for the usage profile.

The results reported in tables 2.1 to 2.5 indicate that there was considerable variation in price across the five distribution zones. The highest undiscounted market offers were most commonly from Lumo Energy, Origin Energy or Click Energy. Conversely, the lowest discounted market offers were most commonly provided by AGL (with the exception of the CitiPower distribution zone). In most cases, EnergyAustralia's discounted market offers were the least competitive in terms of price.

Simply Energy's undiscounted market offer prices were higher than its standing offer prices; while AGL's undiscounted market offer was identical to its standing offer in all distribution zones. It is also worth noting that the discounts offered by Momentum Energy and Powerdirect were unconditional (that is, there was no difference in price between undiscounted and discounted market offers).

Across all offers in all zones, consumers could on average save 12 per cent on a flexible offer by meeting conditions for receiving discounts. This compares with an average discount of 15 per cent on residential offers for a flat rate tariff¹.

As with prices with flat tariffs, the lowest average prices were found in the CitiPower distribution zone, while average prices were highest in the SP Ausnet distribution zone.

¹ Essential Services Commission 2014, *Energy retailers comparative performance report—pricing 2013-14*, October 2014

TABLE 2.1 FLEXIBLE PRICES, JEMENA
2013-14, \$ per annum

Retailer	Offer Type	4700 kWh per annum		9 000 kWh per annum	
		Price	Discount price	Price	Discount price
AGL	Standing offer	1 795	na	3 012	na
Dodo Power & Gas	Standing offer	1 924	na	3 306	na
Simply Energy	Standing offer	1 762	na	2 937	na
AGL	Market offer	1 795	1 414	3 012	2 291
Click Energy	Market offer	1 744	1 448	3 022	2 508
Energy Australia	Market offer	1 688	1 649	2 841	2 767
Lumo Energy	Market offer	1 917	1 533	3 057	2 446
Momentum Energy	Market offer	1 555	1 555	2 564	2 564
Origin Energy	Market offer	1 926	1 503	3 264	2 466
Powerdirect	Market offer	1 496	1 496	2 445	2 445
Red Energy	Market offer	1 624	1 462	2 726	2 454
Simply Energy	Market offer	1 804	1 467	3 013	2 374
Market Offer Average		1 728	1 503	2 883	2 479

Note: **Green** – lowest, **Red** – highest, na – not applicable

TABLE 2.2 FLEXIBLE PRICES, CITIPOWER
2013-14, \$ per annum

Retailer	Offer Type	4700 kWh per annum		9 000 kWh per annum	
		Price	Discount price	Price	Discount price
AGL	Standing offer	1 541	na	2 579	na
Dodo Power & Gas	Standing offer	1 572	na	2 650	na
Simply Energy	Standing offer	1 441	na	2 385	na
AGL	Market offer	1 541	1 217	2 579	1 965
Click Energy	Market offer	1 444	1 199	2 487	2 064
Energy Australia	Market offer	1 480	1 447	2 460	2 397
Lumo Energy	Market offer	1 646	1 317	2 567	2 054
Momentum Energy	Market offer	1 390	1 390	2 214	2 214
Origin Energy	Market offer	1 525	1 206	2 540	1 936
Powerdirect	Market offer	1 286	1 286	2 096	2 096
Red Energy	Market offer	1 410	1 269	2 386	2 148
Simply Energy	Market offer	1 496	1 219	2 488	1 963
Market Offer Average		1 469	1 283	2 424	2 093

Note: **Green** – lowest, **Red** – highest, na – not applicable

TABLE 2.3 FLEXIBLE PRICES, POWERCOR
2013-14, \$ per annum

Retailer	Offer Type	4700 kWh per annum		9 000 kWh per annum	
		Price	Discount price	Price	Discount price
AGL	Standing offer	1 695	na	2 859	na
Dodo Power & Gas	Standing offer	1 771	na	2 994	na
Simply Energy	Standing offer	1 620	na	2 701	na
AGL	Market offer	1 695	1 329	2 859	2 167
Click Energy	Market offer	1 721	1 428	2 972	2 467
Energy Australia	Market offer	1 638	1 601	2 734	2 665
Lumo Energy	Market offer	1 858	1 487	2 975	2 380
Momentum Energy	Market offer	1 544	1 544	2 454	2 454
Origin Energy	Market offer	1 815	1 424	3 052	2 314
Powerdirect	Market offer	1 408	1 408	2 315	2 315
Red Energy	Market offer	1 560	1 404	2 630	2 367
Simply Energy	Market offer	1 771	1 434	2 973	2 335
Market Offer Average		1 668	1 451	2 774	2 385

Note: **Green** – lowest, **Red** – highest, na – not applicable

TABLE 2.4 FLEXIBLE PRICES, SP AUSNET
2013-14, \$ per annum

Retailer	Offer Type	4700 kWh per annum		9 000 kWh per annum	
		Price	Discount price	Price	Discount price
AGL	Standing offer	1 791	na	2 993	na
Dodo Power & Gas	Standing offer	1 933	na	3 304	na
Simply Energy	Standing offer	1 945	na	3 245	na
AGL	Market offer	1 791	1 413	2 993	2 279
Click Energy	Market offer	1 945	1 615	3 399	2 821
Energy Australia	Market offer	1 752	1 712	2 936	2 861
Lumo Energy	Market offer	2 020	1 616	3 240	2 592
Momentum Energy	Market offer	1 692	1 692	2 687	2 687
Origin Energy	Market offer	1 937	1 528	3 234	2 462
Powerdirect	Market offer	1 494	1 494	2 431	2 431
Red Energy	Market offer	1 671	1 504	2 804	2 524
Simply Energy	Market offer	2 022	1 644	3 380	2 663
Market Offer Average		1 814	1 580	3 012	2 591

Note: **Green** – lowest, **Red** – highest, na – not applicable

TABLE 2.5 FLEXIBLE PRICES, UNITED ENERGY
2013-14

Retailer	Offer Type	4700 kWh per annum		9 000 kWh per annum	
		Price	Discount price	Price	Discount price
AGL	Standing offer	1 636	na	2 774	na
Dodo Power & Gas	Standing offer	1 731	na	2 957	na
Simply Energy	Standing offer	1 642	na	2 724	na
AGL	Market offer	1 636	1 281	2 774	2 100
Click Energy	Market offer	1 795	1 490	3 119	2 588
Energy Australia	Market offer	1 554	1 519	2 587	2 521
Lumo Energy	Market offer	1 771	1 416	2 814	2 251
Momentum Energy	Market offer	1 383	1 383	2 234	2 234
Origin Energy	Market offer	1 754	1 376	2 949	2 236
Powerdirect	Market offer	1 356	1 356	2 243	2 243
Red Energy	Market offer	1 511	1 359	2 551	2 296
Simply Energy	Market offer	1 719	1 399	2 864	2 258
Market Offer Average		1 609	1 398	2 682	2 303

Note: **Green** – lowest, **Red** – highest, na – not applicable